

Implementation Statement

The Keepmoat Pension Plan

Purpose of this statement

This implementation statement has been produced by the Trustee of The Keepmoat Pension Plan (“The Plan”) to set out the following information over the year to 5 April 2023:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting activity undertaken by the Plan’s investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.
- A summary of any changes to the Statement of Investment Principles (SIP) over the period.
- A description of how the Trustee’s policies, included in their SIP, have been followed over the year.

The voting behaviour is not given over the Plan year end to 5 April 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

Investment manager and funds in use

The Plan’s funds are invested via Legal and General Investment Management (“LGIM”). The investment funds used for the Plan as at 5 April 2022 are set out in the table below.

The Trustee offers a default strategy for the Plan. Details of the default strategy offered by the Trustee can be found in the SIP which is available online.

<https://www.keepmoat.com/keepmoat-pension-plan>

Investment manager	Fund
LGIM	Global Equity Fixed Weights (50:50) Index Fund
	Dynamic Diversified Fund
	All Stocks Index-Linked Gilts Index Fund
	Investment Grade Corporate Bond – All Stocks – Index Fund
	Cash Fund

The Plan also invests in the Schroders Cash Fund. This Schroders investment is a legacy asset and not earmarked to any particular members. This Fund has therefore been excluded from consideration in this statement on the grounds of materiality.

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force at 5 April 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities.

The Trustee’s policy on the exercise of rights (including voting rights) and engagement activities as follows:

“The Trustee expects investment managers to be voting and engaging on behalf of the Plan’s holdings and the Plan monitors this activity within the Implementation Statement in the Plan’s Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.”

Elsewhere in the SIP, the Trustee acknowledges that when investing in a market-cap index, there is little that the manager can do to allow for ESG considerations within the investment process selecting stocks. However, the Trustee believes that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustee looks to the investment manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company.

The Trustee, supported by research from Barnett Waddingham, considers LGIM to be market leading in its approach to ESG engagement with investee companies. In particular, LGIM continue to demonstrate that thought and consideration has been given to the issues that will affect their investments, and there is a consistency in how they engage with the companies in which they invest. There is a wealth of information on LGIM’s stewardship approach available at <https://www.lgim.com/uk/en/capabilities/investment-stewardship/> and the Trustee regularly reviews the performance of LGIM in this regard.

At this time, the Trustee has not set stewardship priorities for the Plan, as the Trustee has been considering investment strategy changes, but the Trustee will be considering the extent that they wish to do this in due course, in line with other Plan risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Plan’s investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Plan’s fund managers. The Trustee obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments.
- Following year end, the Trustee has advice from their consultants on the appropriateness of the strategy moving forward. As part of this, the Trustee has reviewed the ESG credentials of the existing strategy.

How the SIP has been followed over the year

In the Trustee’s opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Plan offers a suitable default strategy for members. This is being reviewed currently and appropriate changes will be made based on the membership profile of the Plan, and the Trustee’s view of the Plan’s ESG credentials.
- The Plan offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range is currently being reviewed and changes will be made accordingly.

- The Trustee monitors the performance of the manager funds every six months to ensure that the funds are meeting their stated objectives. Our Investment Consultants and managers provide semi-annual reports for review.
- The Trustee has made no new manager appointments over the year

**Prepared by the Trustees of The Keepmoat Pension Plan
August 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Plan's portfolio on behalf of the Trustee over the year to 31 March 2023. The cash with Schroders has no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	LGIM	
Fund name	Global Equity Fixed Weights (50:50) Index Fund	Dynamic Diversified Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
No. of eligible meetings	3,197	9,541
No. of eligible votes	41,099	99,647
% of resolutions voted	99.8	99.8
% of resolutions abstained¹	0.1	0.7
% of resolutions voted with management¹	81.9	77.6
% of resolutions voted against management¹	18.0	21.7
% of meetings voted against management at least once	70.1	72.5
% of resolutions voted against proxy voter recommendation	12.2	12.6

Proxy voting

A proxy advisor is a company that advises how owners of shares should vote on resolutions at shareholder meetings and, where applicable, the proxy advisor can also vote on behalf of the owners of the shares. This section of the Implementation Statement sets out how each of the Plan's applicable investment managers use a proxy advisor.

LGIM employs the use of Institutional Shareholder Services (ISS) as their proxy voting advisor to electronically vote all shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic voting decisions. To ensure that ISS vote in accordance with LGIM's ESG policies, there has been a custom voting policy put in place with ISS.

¹ As a percentage of the total number of resolutions voted on

There are no voting rights attached to the other assets held by the Plan's other investments, which include investment in the All Stocks Index-Linked Gilts Index Fund, the Investment Grade Corporate Bond – All Stocks – Index Fund and the Cash Fund. These funds do not hold equities.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a Plan’s stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities for the Plan but will be considering the extent that they wish to do this in due course, in line with other Plan risks.

For this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

In determining significant votes, LGIM’s investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”). This guidance dictates significant votes include, but are not limited to:

- A high profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote, directly communicated by clients to the investment stewardship team at LGIM’s Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- A vote linked to an LGIM engagement campaign.

LGIM have provided numerous votes which they believe to be significant. In the absence of agreed stewardship priorities, the Trustee has selected three votes from each fund, that cover a range of themes. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

If you would like to review further significant votes this information can be found online [here](#).

A summary of the significant votes provided is set out below:

LGIM Global Equity Fixed Weights (50:50) Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Date of vote	24 May 2022	12 May 2022	8 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.4%	1.5%	1.3%
Summary of the resolution	Approve the Shell Energy transition progress update	Approve Net Zero - from ambition to action report	Approve climate action plan
How the manager voted	LGIM voted against the resolution	LGIM voted for the resolution	LGIM voted against the resolution
Did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website, with the rationale for all votes against management, where applicable. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	<p>LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p>	<p>While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.</p>	<p>LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>
Outcome of the vote	80% of shareholders supported the resolution.	86% of shareholders supported the resolution.	84% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.		

LGIM Dynamic Diversified Fund

	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc	Consolidated Edison, Inc.	Amazon.com, Inc.
Date of vote	4 May 2022	16 May 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3%	0.2%	0.2%
Summary of the resolution	Elect Hamid R. Moghadam as a director	Elect Michael W. Ranger as a director	Elect Daniel P. Huttenlocher as a director
How the manager voted	LGIM voted against the resolution	LGIM voted against the resolution	LGIM voted against the resolution
Did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website, with the rationale for all votes against management, where applicable. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	LGIM voted against the resolution as they expect companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.		LGIM voted against as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for perceived human capital management failings.
Outcome of the vote	93% of shareholders supported the resolution.	89% of shareholders supported the resolution.	93% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.		

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Plan's cash and gilt funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM
Fund name	Global Equity Fixed Weights (50:50) Index Fund Dynamic Diversified Fund All Stocks Index-Linked Gilts Index Fund Investment Grade Corporate Bond – All Stocks – Index Fund Cash Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken at a firm level in the year	1,685
Number of entities engaged with at a firm level in the year	1,373
Key engagement topics	The key engagement topics at a firm level over the year to 31 March 2023 included: <ul style="list-style-type: none"> • Remuneration • Climate change • Board composition • (Ethnic) Diversity • Gender Diversity • Public Health • Strategy • Energy • Climate impact pledge

Example of firm level engagement activity undertaken over the year to 5 April 2023

LGIM

Capricorn

In the final quarter of 2022, LGIM engaged with Capricorn, a smaller-scale oil and gas company. Capricorn's board seeking to merge with other energy companies raised some concerns about the company's governance and decision-making process, given the potential negative impact such decisions would have on Capricorn's shareholders. No material governance concerns had previously been raised in relation to the company.

The first proposed merger with Tullow Oil, an African-based oil company, was announced in June 2022. LGIM's Investment Stewardship and Climate Solutions teams spoke directly with Capricorn's management team and directors to voice their concerns about the proposed transaction. Additionally, LGIM believed that such a merge would have resulted in increased financial leverage and dramatically elevated climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason.

The second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first and LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals, Palliser Capital called for an Extraordinary General Meeting to be held, for

shareholders to vote on a complete overhaul of the board while requesting the deposition of seven directors, including the CEO, and the appointment of six new members instead. As reported widely in the press, LGIM declared its support for the restructure of the board. LGIM believe that there has been a substantial breakdown in relations between the board and its shareholders, to such an extent that a change is now warranted.

Source: LGIM - Q4 2022 | ESG impact report